

Chairman's Statement at 18 December 2017 General Meeting

At the General Meeting on Monday 18th December 2017 Tony Craven Walker, Serica's Chairman, made the following comments:

First of all, I would like to introduce the directors present today. I am Tony Craven Walker, Executive Chairman, we also have present Neil Pike and Ian Vann, both Non-Executive Directors. Neil is our Senior Independent Director. I am also more than pleased today to welcome back Mitch Flegg who has re-joined the Board of Directors. Mitch was Serica's Chief Operating Officer until a couple of years ago, when he left to take up a position with another Company. I and my co-directors are absolutely delighted that he has agreed to return to take up the position as Chief Executive at a time of momentous change for the Company. Mitch and I have worked together in the past and I am looking forward immensely to working with him again as we progress towards closing the transaction being put to you today and build the Company's future.

I would also like to welcome Stephen Lambert and Andy Bell, who have joined our team as Vice President Commercial and Vice President Finance, respectively. Both were hugely instrumental in bringing the negotiations with BP to a successful conclusion, working with Clara Altobell, our Vice President Technical, and Danny Fewkes, our Group Treasurer, to pull off what I believe is an extraordinarily innovative deal. All are here today as is our Company Secretary, Amanda Bateman

At the Annual General Meeting in June this year, I stated that our immediate objective was to build on the momentum and strong financial position that our Erskine interest has given us over the past couple of years and seek to acquire additional producing interests to bring added value to our production base. Our objective was to seek assets where we had some degree of control and could therefore add new value for shareholders. Although Erskine continues to perform well, we wished to reduce our dependence on it as our single source of production and achieve a better spread of risk and growth opportunity for shareholders. We felt that a significant transaction would also have the added benefit of creating increased financing capacity and scale, thereby boosting the range of new opportunities open to us.

I am absolutely delighted that the transaction which we are putting to shareholders today meets all of these criteria, as well as bringing further benefits. It transforms both the production and reserve base for the Company, spreads the risk from one to four fields and establishes Serica as a leading operator in the North Sea by bringing together the skill sets of both Serica's existing team and the offshore operating capabilities of the BP personnel who will be joining us. We welcome this team and are delighted with the warm reception and enthusiasm which they have already shown to us. The transaction is also both income and asset accretive to the Company and, being in the North Sea, is tax efficient for us.

The fact that we were able to achieve it, as we did similarly with the Erskine acquisition, without raising any new funds from shareholders or bank debt, is an outcome with which the Serica team are rightfully proud. There is considerable upside in the assets which we are acquiring, further reserves to be produced and further efficiencies to be achieved. These provide Serica with something really tangible to shoot for. Sharing this potential with BP through an innovative deal structure has enabled us to preserve and strengthen our financial resources to devote to the assets and has enabled us to avoid any shareholder dilution. It is testament to the imaginative and extremely constructive way in which BP approached the transaction.

"Win-win" is a much-overused expression but, in this case, it is very apt as both we and BP believe we will both benefit from the way in which the deal has been structured and the value

that Serica can bring to the assets. Indeed, "win-win-win" could also be an appropriate description since, with new focus and commitment to the assets we are acquiring, we should be able, with our partners, to extend the life of the facilities and increase ultimate recovery, benefiting the UK's needs and meeting the objectives of the Oil and Gas Authority to maximise UK reserve recovery. The Board is therefore very happy to commend it to shareholders.

The transaction is subject to a number of conditions which have to be satisfied before we complete and these are all summarised in detail in the documents sent to shareholders. We shall be working assiduously to secure these various consents and approvals that we require over the next few months. These largely involve satisfying partners and the Oil and Gas Authority of Serica's plans and capabilities to ensure a smooth transfer of operations. We shall be working hard with BP to make sure that all requirements are met and Mitch will be in charge of that process.

I think that I have now said enough. We will take questions but first I would like to introduce Mitch to those who do not already know him. Mitch will give a short presentation of the transaction, the tasks we will be taking on over the next few weeks to bring it to a successful completion and an update on some of our other assets. He will also update you on the situation relating to the Forties Field Pipeline System which, as I am sure you know, is shut down for repairs likely to take a few weeks. Ironically, given our efforts to spread risk, this is the only common piece of infrastructure between our Erskine field interest and the new assets we are acquiring but we are hoping that the operator of the pipeline will be able to bring it back on stream before too much delay. It just goes to show that you can't plan on all eventualities.

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